

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN PRIORITY

UNCLAS STATE 216396

E.O. 11652: N/A

TAGS: BEXP, IR

SUBJ: ASSISTANT SECRETARY DOBBIN CHAMBER OF COMMERCE LUNCHEON  
SPEECH

REF: TEHRAN 7653

I AM DELIGHTED TO BE HERE THIS AFTERNOON AND TO HAVE THE  
OPPORTUNITY TO BRING TO YOUR ATTENTION SOME OF THE THINGS THAT  
THE ADMINISTRATION HAS DONE TO ASSIST YOU IN OUR MUTUAL  
GOAL OF EXPANDING TRADE.

THE RELATIONSHIP BETWEEN IRAN AND THE UNITED STATES PROVIDES A  
GOOD EXAMPLE OF THE BENEFITS TO BE GAINED THROUGH AN INTER-  
NATIONAL FLOW OF TRADE AND INVESTMENT. IRAN'S RICH ENDOWMENT  
IN NATURAL AND HUMAN RESOURCES, WITH THE WISE DECISION OF THE  
GOVERNMENT TO EXPLOIT THESE RESOURCES FOR THE BENEFIT OF ITS  
PEOPLE, CAN BE PERFECTLY COMPLEMENTED BY THE TRANSFER OF AMERICAN  
KNOW-HOW ACQUIRED THROUGH YEARS OF EXPERIENCE AS AN INDUSTRIAL  
NATION. BY SELLING AMERICAN MACHINERY AND EQUIPMENT TO IRAN,  
PARTICIPATING IN PRODUCTIVE ENTERPRISES WITH THEIR IRANIAN  
COUNTERPARTS, AND BY TRAINING LOCAL TECHNICAL AND MANAGERIAL  
PERSONNEL, AMERICAN BUSINESSMEN CAN MAKE IMPORTANT CONTRI-  
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BUTIONS TO THIS GREAT COUNTRY'S DEVELOPMENT, WHILE AT THE  
SAME TIME SERVING THE INTERESTS OF THEIR COMPANIES AND THEIR  
COUNTRY.

AS YOU KNOW, WE IN THE DEPARTMENT OF COMMERCE ARE CHARGED WITH THE IMPORTANT NATIONAL GOAL OF EXPORT EXPANSION. MY MESSAGE TO YOU THIS AFTERNOON CONCERNS THE REASONS FOR OUR CONCERN WITH IMPROVING THE U.S. TRADE PERFORMANCE AND THIS ADMINISTRATION'S INITIATIVES TO CREATE A MORE FAVORABLE ENVIRONMENT FOR U.S. EXPORTS. I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO TELL YOU HOW WE IN COMMERCE HAVE ORGANIZED TO MEET THE EXPORT EXPANSION CHALLENGE.

OUR OVERALL BALANCE OF PAYMENTS POSITION HAS BEEN IN DEFICIT FOR MUCH OF THE PAST TWO DECADES; BUT, UNTIL RECENTLY, OUR TRADE POSITION REMAINED STRONG. IN THE PAST FEW YEARS, HOWEVER, OUR TRADE BALANCE HAS TURNED FROM SURPLUS TO DEFICIT. IN 1971, THE UNITED STATES SUFFERED ITS FIRST TRADE DEFICIT OF THIS CENTURY. FROM AN EXCESS OF EXPORTS OVER IMPORTS OF DOLS 2.7 BILLION IN 1970, OUR TRADE POSITION SLIPPED BY DOLS 4.7 BILLION TO A DEFICIT OF DOLS 2.0 BILLION THE FOLLOWING YEAR. THE CORRESPONDING TRADE FIGURES FOR 1972 SHOW A SUBSTANTIAL FURTHER DECLINE--TO A DEFICIT OF DOLS 6.4 BILLION. THIS ADDS UP TO A TWO-YEAR DETERIORATION OF OVER DOLS 9 BILLION IN OUR TRADE ACCOUNT.

WE ANTICIPATE A DEFINITE IMPROVEMENT IN OUR TRADE PERFORMANCE IN 1973. FOR THE FIRST NINE MONTHS OF THIS YEAR, WE ARE RUNNING A SMALL TRADE SURPLUS OF DOLS 153 MILLION. NEVERTHELESS, THERE ARE A NUMBER OF FACTORS WHICH PRESENT SERIOUS OBSTACLES TO OUR EFFORTS TO REGAIN OUR FORMER FAVORABLE TRADE POSITION. AN EXPANDING DOMESTIC ECONOMY WILL SURELY INCREASE DEMAND FOR IMPORTS; WE WILL, IN ADDITION, BE IMPORTING PETROLEUM AND NATURAL GAS AT A GROWING RATE TO MEET DOMESTIC ENERGY NEEDS; AND THE DEVALUATION OF THE DOLLAR EARLY THIS YEAR WILL ADD TO OUR IMPORT BILL FOR MANY PRODUCTS. WE MUST MOVE DECISIVELY TO MEET THIS CHALLENGE.

PAST AND PROSPECTIVE TRADE BALANCE PROBLEMS ARISE ON BOTH THE IMPORT AND EXPORT SIDE OF THE LEDGER. U.S. IMPORTS HAVE SURGED IN RECENT YEARS. IMPORT GROWTH AVERAGED ABOUT 11 1/2 PERCENT UNCLASSIFIED

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A YEAR DURING THE PERIOD 1960 TO 1972. BUT IN 1971, IMPORTS ROSE BY 14 PERCENT AND TOTALED DOLS 45.6 BILLION. DURING 1972 IMPORTS ROSE ALMOST 22 PERCENT AND WERE UP BY DOLS 10 BILLION TO DOLS 55.6 BILLION.

IT IS IMPORTANT TO PUT THIS RAPID IMPORT GROWTH IN PERSPECTIVE. DURING THE PERIOD 1960-72, OVERALL IMPORTS GREW AT ABOUT THE SAME RATE IN THE UNITED STATES AS THEY HAD IN OTHER INDUSTRIALIZED COUNTRIES. WHAT THIS SHOWS IS THAT THE ECONOMIES OF INDUSTRIALIZED NATIONS REQUIRE A GROWING AMOUNT OF IMPORTED PRODUCTS TO FUNCTION EFFECTIVELY.

WHILE OUR IMPORT GROWTH WAS ROUGHLY PARALLEL TO THAT OF OTHER

MAJOR INDUSTRIALIZED COUNTRIES, OUR EXPORT GROWTH, UNFORTUNATELY, WAS NOT. WITH THE EXCEPTION OF THE U.K., ALL OUR MAJOR COMPETITORS HAD AN EXPORT GROWTH IN THE 11 TO 18 PERCENT RANGE DURING THE 1960-72 PERIOD, WHILE THE U.S. ANNUAL EXPORT GROWTH RATE WAS ONLY 7.9 PERCENT, SOME 3 1/2 PERCENTAGE POINTS BELOW OUR IMPORTS. THIS DIFFERENTIAL HAS TURNED OUR PRIOR TRADE SURPLUS TO A DEFICIT AND HAS RESULTED IN A DECLINE IN OUR SHARE OF THE WORLD'S EXPORT MARKETS FROM 21 PERCENT IN 1960 TO 16 PERCENT IN 1972.

WHILE THE U.S. IMPORT-EXPORT BALANCE WAS TURNING FROM SURPLUS TO DEFICIT, THE OPPOSITE DEVELOPMENT TOOK PLACE WITH RESPECT TO OUR MAJOR COMPETITORS. THEY NOT ONLY COVERED THEIR HIGHER IMPORTS WITH CORRESPONDING EXPORT GROWTH BUT, INDEED, THEIR EXPORTS VERY SIGNIFICANTLY OUTPACED THE GROWTH OF THEIR IMPORTS.

THIS BRIEF REVIEW OF PAST TRADE ACCOUNT DEVELOPMENTS LEADS TO THIS CENTRAL OBSERVATION: WHILE NOT MINIMIZING THE SIGNIFICANCE OF GROWTH IN U.S. IMPORTS, IT IS ESSENTIAL THAT OUR EXPORT PERFORMANCE BE MATERIALLY IMPROVED IF WE ARE TO IMPROVE OUR OVERALL BALANCE OF PAYMENTS POSITION. OUR NATIONAL NEED FOR SIGNIFICANTLY INCREASED IMPORTS OF ENERGY AND RAW MATERIALS IN THE NEXT DECADE UNDERSCORES THIS CONCLUSION AND MAKES EXPORT EXPANSION A HIGH PRIORITY NATIONAL OBJECTIVE. WHAT IS NEEDED IS A COMMITMENT ON THE PART OF LABOR, INDUSTRY, AGRICULTURE AND THE GOVERNMENT TO ACHIEVE A RAPID AND SUSTAINED EXPANSION OF U.S. EXPORTS.

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THIS ADMINISTRATION FULLY INTENDS TO USE THE MEANS AVAILABLE TO THE FEDERAL GOVERNMENT TO HELP ACHIEVE THIS GOAL. OVER THE PAST FOUR YEARS, WE HAVE, IN FACT, BROUGHT A NUMBER OF NEW PROGRAM AND POLICY INITIATIVES TO BEAR ON OUR INTERNATIONAL PAYMENTS PROBLEMS. AS A RESULT, CONSIDERABLE PROGRESS HAS BEEN MADE IN STEMMING THE DECLINING COMPETITIVENESS OF U.S. PRODUCTS IN FOREIGN MARKETS.

A MAJOR FACTOR IN IMPROVING OUR TRADE AND PAYMENTS POSITION HAS BEEN--AND CONTINUES TO BE--OUR RESOLVE TO RETURN THE U.S. ECONOMY TO A PATH OF RELATIVE PRICE STABILITY AND GROWTH. PRESIDENT NIXON'S PHASE IV PROGRAM IS THE MOST RECENT EVIDENCE OF THIS. IN ESSENCE, PHASE IV IS A SERIES OF TOUGH BUT FLEXIBLE ECONOMIC CONTROLS DESIGNED TO MODERATE THE RATE OF INFLATION WITHOUT EXERTING A DEPRESSING INFLUENCE ON SUPPLIES.

A BASIC ELEMENT OF PRESIDENT NIXON'S DECISION OF DECEMBER 1971 TO REALIGN THE EXCHANGE PARITIES OF MAJOR CURRENCIES AND TO SEEK INTERNATIONAL MONETARY REFORM WAS THE NEED TO REVERSE THE CONDITIONS THAT HAD CONSIGNED U.S. EXPORTS TO A SECOND-BEST COMPETITIVE STATUS. HIS DECISION TO DEVALUE THE U.S. DOLLAR BY 10 PERCENT IN FEBRUARY OF THIS YEAR WAS A FURTHER STEP IN THIS

DIRECTION. WE HAVE MADE A NUMBER OF OTHER SUBSTANTIVE CHANGES DESIGNED TO IMPROVE OUR EXPORT PERFORMANCE.

THE ENACTMENT IN 1971 OF LEGISLATION PERMITTING A PARTIAL DEFERRAL OF INCOME TAXES DUE ON INCOME DERIVED FROM EXPORTS MADE BY DOMESTIC INTERNATIONAL SALES CORPORATIONS (DISC'S) WILL PROVIDE AN IMPORTANT IMPETUS TO U.S. EXPORTS. SINCE THE INAUGURATION OF THIS PROGRAM, MORE THAN 25,000 BUSINESSMEN, ACCOUNTANTS, AND LAWYERS HAVE ATTENDED DISC WORKSHOPS CONDUCTED BY THE COMMERCE AND TREASURY DEPARTMENTS THROUGHOUT THE UNITED STATES. THROUGH THE END OF AUGUST, 4,386 DISCS HAD BEEN ORGANIZED BY U.S. BUSINESS FIRMS.

FURTHER MAJOR IMPROVEMENTS IN U.S. EXPORT PROSPECTS ARE THE RESULT OF THE MAJOR IMPROVEMENTS THAT HAVE BEEN MADE IN EXIMBANK'S FACILITIES FOR SUPPORTING COMMERCIAL BANK AND INDIVIDUAL COMPANY EXPORT TRANSACTIONS. AS A RESULT OF THESE IMPROVEMENTS, U.S. EXPORT FINANCING, BOTH THROUGH THE COMMERCIAL BANKS AND BY THE EXIMBANK, IS NOW FULLY COMPETITIVE WITH CORRESPONDING FINANCING UNCLASSIFIED

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PROVIDED ABROAD. AND CREDIT IS BEING USED, AS THE CONGRESS HAS MANDATED, AS AN ACTIVE TOOL OF EXPORT EXPANSION.

THE TRADE REFORM ACT OF 1973, WHICH IS NOW UNDER CONSIDERATION BY THE CONGRESS, WILL ALSO PROVIDE THE BASIS FOR AN IMPORTANT IMPROVEMENT IN THE U.S. TRADE AND PAYMENTS POSITION. THE TRADE BILL WILL PROVIDE THE PRESIDENT WITH THE AUTHORITIES HE MUST HAVE IF THE UNITED STATES IS TO WORK EFFECTIVELY FOR A MORE OPEN AND EQUITABLE WORLD TRADING SYSTEM. GRANTED THESE AUTHORITIES, THE PRESIDENT WILL BE ABLE TO ACT FROM A POSITION OF STRENGTH IN THE HARD BARGAINING OF INTERNATIONAL TRADE NEGOTIATIONS. THE BILL IS SPECIFICALLY DESIGNED TO UNDERPIN OUR EFFORTS TO ENSURE THAT AMERICAN EXPORTERS ARE GIVEN FREE AND FAIR OPPORTUNITY TO COMPETE IN THE CONSTANTLY GROWING OVERSEAS MARKET. SPECIFICALLY, THE BILL WOULD PROVIDE THE PRESIDENT WITH BROAD, FLEXIBLE AUTHORITY TO:

- (1) NEGOTIATE THE LOWERING OF TARIFF BARRIERS INTRINSIC TO A MORE OPEN AND EQUITABLE TRADING SYSTEM;
- (2) DEAL WITH EXCESSIVELY RAPID INCREASES IN IMPORTS THAT DISRUPT DOMESTIC MARKETS AND DISPLACE AMERICAN WORKERS;
- (3) DEAL WITH UNFAIR COMPETITION AGAINST U.S. PRODUCTS, BOTH AT HOME AND ABROAD;
- (4) MANAGE U.S. TRADE POLICY MORE EFFICIENTLY AND USE IT MORE EFFECTIVELY T

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